

SOCIAL PROTECTION IN EUROPE: SIGNIFICANT DIFFERENCES

- COMPARISON AMONG MEMBER STATES ⁽¹⁾ (1985 - 1988) -

Expenditure in % of GDP : ratio of 1 to 2 between minimum and maximum

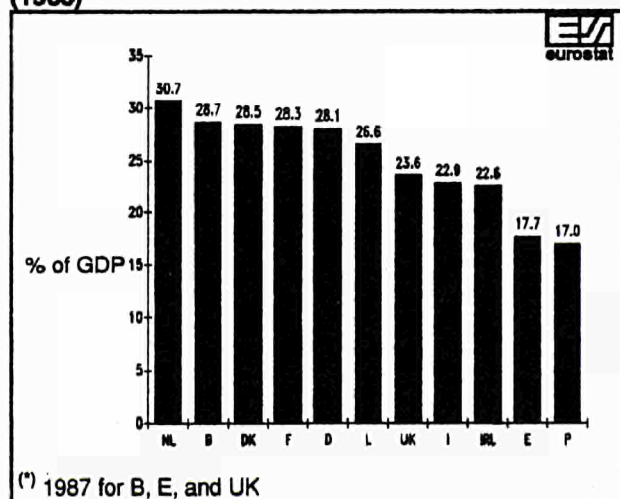
Benefits per head : ratio of 1 to 10 in ECU, 1 to 4 in PPS

Financing : public contributions range from 14 % to 80% of the total, those of employers from 10% to 53%, and the percentage of contributions by the protected person from 4% to 36 %.

SOCIAL PROTECTION EXPENDITURE AND GDP

The proportion of GDP spent on social protection reflects the level of concern over these matters. During the period 1985-1988 the ratio of the minimum to maximum level by country was of the order of 1 to 2. The Netherlands spent the highest proportion of GDP (around 31%), followed by five countries within a band ranging between 29% and 25% (Belgium, Denmark, France, F. R. Germany and Luxembourg), three at around 23% (United

Graph 1. Current expenditure on social protection expressed as a percentage of GDP at market prices (1988) ⁽¹⁾

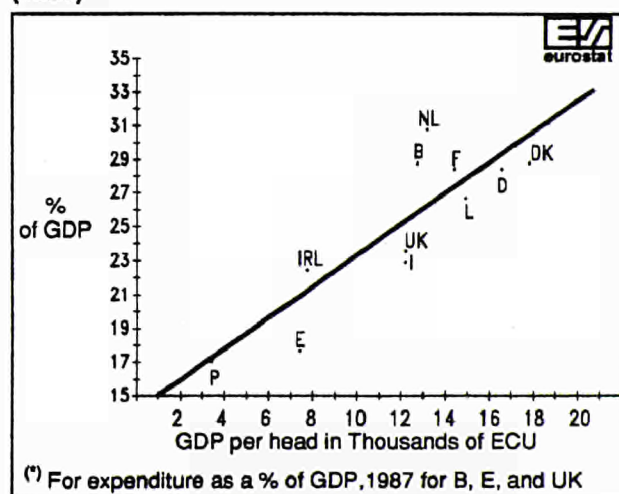


⁽¹⁾ 1987 for B, E, and UK

⁽¹⁾ excluding Greece

Kingdom, Italy and Ireland) and Spain and Portugal at around 17%. Graph 1 shows the relation to GDP for the latest available year.

Graph 2. Percentage of GDP spent on social protection in relation to the level of GDP per head (1988) ⁽¹⁾



These results are compared with the level of GDP per head in Graph 2. Such a comparison tends to show that countries with a higher GDP per head devote a relatively larger proportion of GDP to social protection. Beneficiaries of social protection in these countries are therefore in a sense better off in both aspects than those in countries with lower levels of GDP per head.

SOCIAL PROTECTION BENEFITS PER HEAD

The range of social protection benefits per head is very wide in the eleven countries at around 1 to 10.

Of the six countries where the level in 1987 was higher than the Community average of 2905 Ecu (in descending order : Denmark, the Federal Republic of Germany, the Netherlands, France, Luxembourg and Belgium) the differences were also significant. The gap between the the lowest and the highest in this group was 39%. In Italy and in the United Kingdom benefits were slightly below the Community average, whereas in Ireland they were just over half the average. Levels in Spain and especially in Portugal were significantly lower.

Table.1. Social protection benefits per head

	1985	1986	1987	1988
	ECU			
Belgium	2958	3189	3309	:
Denmark	4057	4260	4605	4907
F.R.Germany	3670	4009	4303	4501
Spain	975	1021	1095	:
France	3422	3638	3697	3874
Ireland	1603	1675	1641	1674
Italy	2089	2282	2479	2656
Luxembourg	3029	3296	3585	3782
Netherlands	3426	3627	3771	3848
Portugal	399	450	482	545
United Kingdom	2502	2354	2355	:
EUR ^(*)	2634	2775	2905	:

^(*) average excluding Greece

These large disparities do not always entirely reflect the real differences in levels of social protection for a number of reasons. Among these is the non-inclusion in recorded benefits of aid (e.g. care of the elderly) which forms part of the traditional family structure and which plays a more important role in the case of less economically developed countries. Another reason is that comparisons using data expressed in Ecu are based on exchange rates between currencies which do not always accurately reflect purchasing power.

When data is expressed in terms of purchasing power standards (PPS), differences between countries although remaining large, are significantly reduced.

Table. 2. Social protection benefits per head as a percentage of the Community average (1987)

	In ECU	In PPS consumption
EUR ^(*)	2905	3596
	EUR=100	EUR=100
Belgium	114	111
Denmark	159	117
F.R.Germany	148	128
Spain	38	53
France	127	119
Ireland	57	58
Italy	85	92
Luxembourg	123	130
Netherlands	130	129
Portugal	17	30
United Kingdom	81	96

^(*) average excluding Greece

Table 2 compares the two series by country, in Ecu and PPS, each expressed as a percentage of the Community average. In particular the results show that the measure for Denmark moves from 159 in Ecu to 117 in PPS and that for Portugal from 17 in Ecu to 30 in PPS. The spread between the two extremes falls from 1 to 10 in Ecu to 1 to 4 in PPS.

SOCIAL PROTECTION BENEFITS BY GROUP OF FUNCTIONS

The breakdown of benefits by function illustrates the relative importance placed by each Member state on the different risks covered.

At the Community level benefits in 1987 by group of functions as a percentage of the total were as follows:

Old age - Survivors	45%
Health (1)	36%
Family - Maternity	8%
Unemployment - Promotion of employment	7 1/2%
Housing - Miscellaneous	3 1/2%

(1) Health : sickness; invalidity, disability; occupational accidents and diseases.

Examining the data by country, the grouping "Old age - Survivors" shows a high level of concentration in percentages, with the exception of the Netherlands (32%) and Ireland (31%) on the one hand and Italy (59%) on the other.

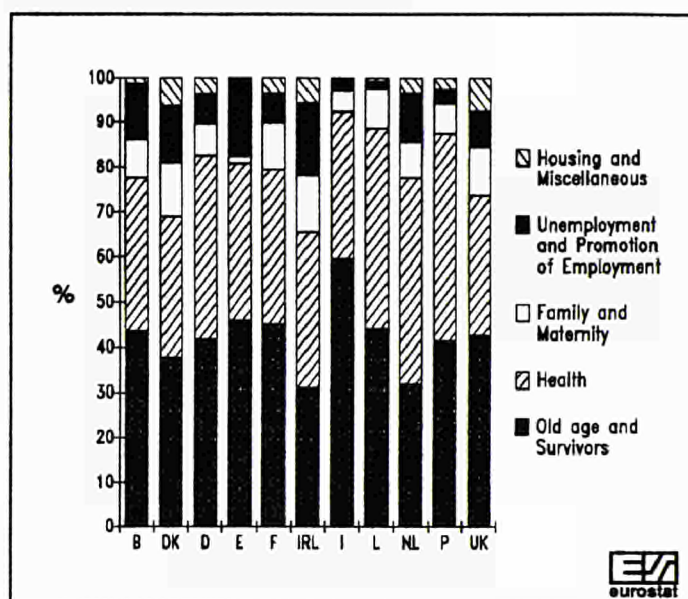
The grouping "Health" is also characterised by rates which are very closely grouped around the Community average for the majority of countries. However, in the case of three countries (Luxembourg, the Netherlands and Portugal), the proportion is higher at around 45%.

In contrast, the grouping "Family - Maternity" shows a greater disparity among countries. Italy (5%) is at one end of the scale whilst Ireland (13%) is at the other.

The differences are even larger in the case of "Unemployment and promotion of employment". Percentages vary between 1 and 17% compared to a Community average of a little over 7%.

In view of the convergence of social protection policies, the reasons for the above differences and their significance need to be examined in depth. In this light Eurostat is engaged in further analysis with a view to

Graph 3. Social protection benefits by group of functions: proportion of total benefits (1987)



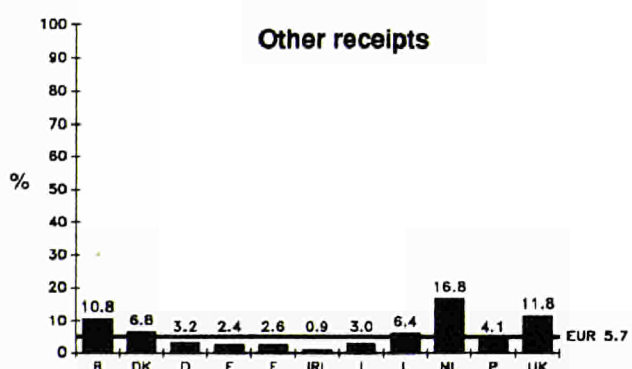
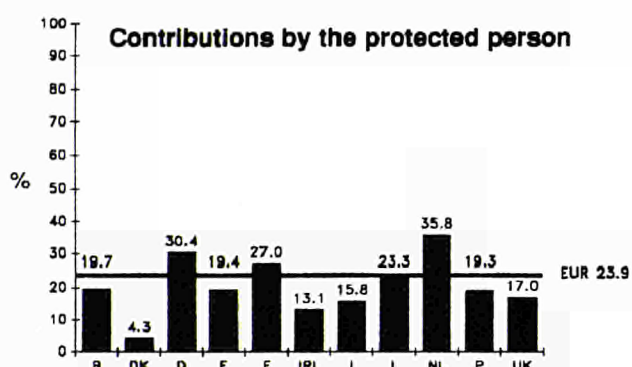
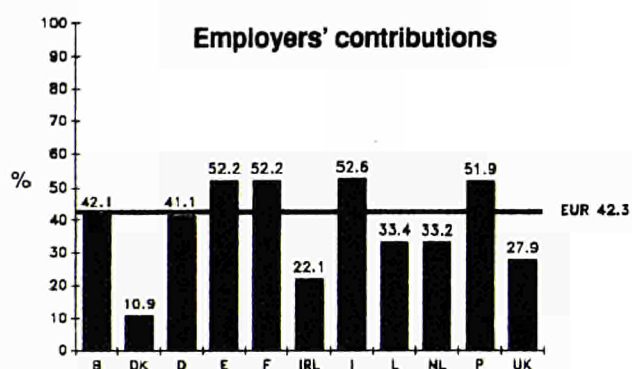
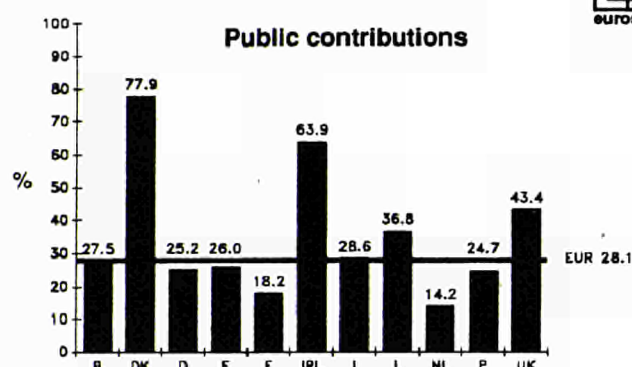
setting up parameters and ratios (the number of recipients of benefits, rate of replacement in pensions/wages...).

Table 3. Social protection benefits by group of functions (1987 - 1988)

Group of functions		EUR ^(*)	B	DK	D	E	F	IRL	I	L	NL	P	UK
Billions of ECU													
Old age and Survivors	87	408.99	14.20	8.87	109.85	19.49	92.64	1.81	84.49	0.589	17.66	2.05	57.32
	88	:	:	9.34	114.05	:	97.36	1.88	91.11	0.636	18.46	2.30	:
Health	87	329.59	11.15	7.39	107.53	14.83	70.43	2.00	46.85	0.591	25.28	2.27	41.28
	88	:	:	7.87	114.03	:	74.00	2.01	50.57	0.625	25.90	2.60	:
Family and Maternity	87	74.49	2.79	2.85	18.70	0.78	21.95	0.74	7.12	0.126	4.43	0.35	14.66
	88	:	:	3.16	19.39	:	22.98	0.74	7.82	0.131	4.53	0.41	:
Unemployment /Promotion of employment	87	67.34	4.13	3.03	17.85	7.17	13.59	0.94	3.46	0.018	6.12	0.15	10.88
	88	:	:	3.34	19.04	:	14.77	0.94	2.88	0.017	5.84	0.14	:
Housing and Misc.	87	31.07	0.39	1.47	9.44	0.23	7.04	0.33	0.26	0.010	1.82	0.12	9.95
	88	:	:	1.46	9.93	:	7.35	0.35	0.19	0.008	2.05	0.16	:
Total	87	911.47	32.66	23.61	263.37	42.51	205.66	5.82	142.18	1.334	55.30	4.94	134.09
	88	:	:	25.17	276.45	:	216.46	5.92	152.57	1.417	56.79	5.61	:

(*) Total excluding Greece

Graph 4. Social protection current receipts: breakdown by category (1987)



For further information

Social protection expenditure and receipts (1985-1988), will be published shortly.
Social protection in Europe : trends from 1980 to 1989, is in preparation.

SOCIAL PROTECTION RECEIPTS

There are three main sources of finance for expenditure on social protection : social contributions paid by the protected person, employers' contributions and those of general government. To these must be added a fourth category, other receipts, which essentially consists of interest on capital and is only significant in a few countries.

There are large differences between countries in the proportion of overall receipts represented by each of the three larger categories in the period under review.

In 1987:

- . general government contributions represent between 14 and 78% of total receipts, however, seven countries fall within a narrower band of 24 to 44%.
- . employers' contributions fall on a scale of 10% to 53%. Four countries are close to the top end of this scale and in total the results for nine countries are above 27%.
- . contributions made by the protected person show a large variation between a low of 4% and a high of 36%. Eight countries are grouped between 15 and 30%.

At one extreme, Denmark followed by Ireland have the highest proportions of general government contributions and the lowest of both employers' contributions and those of the protected person. In stark contrast, the proportion of contributions by the protected person in the Netherlands is higher than those of employers, and contributions by general government are the lowest of any country.

The distribution of the sources of finance among the public sector budgets (taxation), the burden on companies and the contributions of households, influences the structure of prices and incomes. The greater the differential in this distribution between countries, the greater the likely impact on the structure of prices and incomes. This raises further questions over the problems of economic and social integration.

NOTES

The data contained in the European system of integrated social protection statistics (ESSPROS) cover current receipts and current expenditure. Capital transactions and fiscal benefits are not included. Current expenditure comprises social protection benefits, administrative costs and other current expenditure.

Data for Belgium, Spain and the United Kingdom are not available for 1988 as are data for Greece for the whole of the period covered.

The 1985 data published in the "rapid report statistics" of 28/06/1989 have been revised for this edition.